

Fund Manager Commentary

Shock News! Brexit Deadline Delayed...



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Brexit news dominates sterling. As we write the Parliamentary vote has been delayed rather than see a historic loss, and the political consequences which would inevitably follow such a loss. Pound Sterling dropped sharply on the news.

Mrs May has stated that the new final deadline for a vote is January 21st. Yes, another 'final deadline'. More meetings, more discussions, and no doubt, more 'final deadlines' until the real final deadline of 28th March next year. Then 29th March begins with the UK either in the EU, out of the EU, or half way in between as proposed by Mrs May.

For all the commentary, and for all the scenarios, there is now only one route forward. Mrs May knows this, and is meeting with Angela Merkel for discussions. Mrs Merkel has often altered agreements, in the process of being brokered, at the eleventh hour simply by virtue of the power she, or Germany, holds within the EU. Germany is the main financial contributor. Whatever Germany insists happens, happens.

Both Mrs May and Mrs Merkel need to agree just enough amendments to appease just enough disaffected MPs in order to secure a majority in Parliament to back the agreement. This may take some time. Mrs Merkel will only want to give away the absolute minimum, so it may well be likely that the horse trading continues right to the wire, on March 28th when just enough opposing MPs have been placated. Or 'picked off', depending on which side of the English Channel you stand. But, regardless of newspaper headlines and rhetoric, a deal will be done. It will not be a deal that pleases anyone in particular, it will just displease fewer people than the current agreement which has been partially debated in Parliament, with no concluding vote.

What of currencies? How do we plan our strategy? Firstly we are cautious given these currency headwinds, gradually building up pace as profits are generated. Unwinding of legacy positions from April/May this year continues to progress and we are positive in the performance of the fund over the medium term.

Secondly we look for opportunities. Sterling will be volatile with a heavy bias to the downside over Christmas, probably into January and February. But remember that old adage...

"It is better to travel, than to arrive"

Sterling will see its' low before March 28th; not after.

Buy Sterling on weakness...

...but possibly quite a lot of weakness first though.